



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS, TX 75202-2733

December 30, 2002

CERTIFIED MAIL, RETURN RECEIPT REQUESTED:

7001 0360 0003 6671 6505

Mr. Michael A. Schoch CEM, CPEA
Regulatory, Environmental, Safety Manager
Hilcorp Energy Company
P. O. Box 61229
Houston, TX 77208-1229

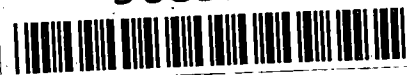
Re: Expedited Spill Settlement Agreement
Docket No. CWA-06-2003-4502
Hilcorp Energy Company
Herrington Well No. 1 Flowline, Jennings Townsite Oil & Gas Field
Section 41-T10S,R3W, Jefferson Davis Parish, LA

Dear Mr. Schoch:

The Environmental Protection Agency (EPA) has authority under Section 311 of the Clean Water Act to pursue civil penalties for oil spill violations. Based upon information available to the EPA, a specific oil spill by your company is identified in the enclosed Findings and Alleged Civil Violations Form (Form). EPA encourages the expedited settlement of oil spill violations such as the violations cited in the enclosed Expedited Spill Settlement Agreement (Settlement Agreement). The enclosed Complaint and Settlement Agreement has been issued in accordance with 40 CFR Part 22, "Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, Issuance of Compliance or Corrective Action Orders, and the Revocation, Termination or Suspension of Permits" (copy enclosed).

You may resolve the cited violations quickly by correcting the cited violations, mailing a check for the penalty as described below, and signing and returning the original Settlement Agreement within 30 days of your receipt of this letter. As previously stated, as a condition of the settlement, you must correct the violations within 30 days of your receipt of this letter. EPA, at its discretion, may grant one 30-day extension for cause upon request. A request for a 30-day extension should be sent to the OPA Enforcement Coordinator at the address given on page 2 of this letter.

9689297



The Settlement Agreement, when executed by both parties, is binding on both you and EPA. Upon receipt of the signed document and a check for the amount of the penalty, EPA will take no further action against you for the violations cited in the Settlement Agreement. EPA will neither accept nor approve the Settlement Agreement if returned more than 30 days after the date of your receipt of this letter, unless an extension has been granted by EPA. (Please be advised that the Settlement Agreement contains a discounted, non-negotiable penalty amount which is lower than the amount which would be derived from EPA's National Civil Penalty Policy for discharge violations.)

If you do not pay the penalty and return the Settlement Agreement within 30 days of your receipt of this letter, unless an extension has been granted by EPA, the Settlement Agreement will be automatically withdrawn, without prejudice to EPA's ability to file an enforcement action for the cited violations. Failure to sign and return the Settlement Agreement and pay the penalty within the approved time does not relieve you of the responsibility to comply fully with the regulations, including correcting the violations that have been specifically identified in the Form. If you decide not to sign and return the Settlement Agreement and pay the penalty, EPA can pursue more formal enforcement measures to correct the violation(s) and seek penalties of up to \$11,000 per violation up to a maximum penalty of \$27,500.

You are required in the Settlement Agreement to certify that you have corrected the violations and paid the penalty. The payment for the penalty amount must be in the form of a certified check payable to the "Oil Spill Liability Trust Fund", with the Docket Number of the Settlement Agreement on the check. The Docket Number is located at the top of the left column of the Settlement Agreement.

The original, signed, Expedited Settlement Agreement and the original, Certified Check Payment of the penalty amount must be sent via CERTIFIED MAIL to:

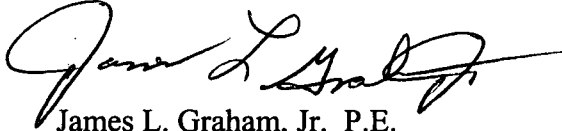
OPA Enforcement Coordinator
U. S. Environmental Protection Agency
Region 6 (6SF-R)
1445 Ross Avenue
Dallas, Texas 75202-2733

A copy of the Settlement Agreement, and of the penalty payment should be retained by you. EPA will forward to you a copy of the fully executed Expedited Settlement Agreement.

By terms of the Settlement Agreement, and upon EPA's receipt of the signed Settlement Agreement and a check for the amount of the penalty, you waive your opportunity for a hearing pursuant to Section 311 of the Clean Water Act. EPA will treat any response to the proposed Settlement Agreement, other than acceptance of the settlement offer, as an indication that the recipient is not interested in pursuing an expedited settlement of this matter.

If you have any questions, please contact Roberto Bernier at (214) 665-8376.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James L. Graham, Jr.", with a stylized flourish extending to the right.

James L. Graham, Jr. P.E.
Enforcement Coordinator

Enclosures (3)

FINDINGS AND ALLEGED CIVIL VIOLATIONS

1. Hilcorp Energy Company is a Firm qualified to do business in the State of Louisiana with a place of business located at 1201 Louisiana Street, Houston, Texas. The Respondent is a person within the meaning of Section 311(a)(7) of the Act, 33 U.S.C. §1321(a)(7).

2. Respondent is the owner/operator of an onshore facility within the meaning of Section 311(a)(10) of the Act, 33 U.S.C. §1321(a)(10), a crude oil production facility, the Herrington Well No. 1 which is located in the Jennings Townsite Oil & Gas Field, Sect. 41-T10S-R3W, Jefferson Davis Parish, Louisiana (facility).

3. Section 311(b)(3) of the Act prohibits the discharge of oil into or upon the navigable waters of the United States or adjoining shorelines in such quantities that have been determined may be harmful to the public health or welfare or environment of the United States.

4. For purposes of Section 311(b)(3) and (b)(4) of the Act, 33 U.S.C. §1321(b)(3) and (b)(4), discharges of oil into or upon the navigable waters of the United States in such quantities that have been determined may be harmful to the public health or welfare or environment of the United States are defined in 40 C.F.R. §110.3 to include discharges of oil that cause a film or a sheen upon or discoloration of the surface of the water or adjoining shorelines.

5. On March 16, 2002, Respondent discharged 15 barrels of oil as defined in Section 311(a)(1) of the Act, 33 U.S.C. §1321(a)(1), and 40 C.F.R. §110.1, from its facility into or upon an unnamed drainage ditch then into an unnamed tributary of the Mermentau River and adjoining shorelines.

6. The unnamed drainage ditch enters an unnamed tributary of the Mermentau River and is a navigable water of the United States as defined in Section 502(7) of the Act, 33 U.S.C. §1362(7), and 40 C.F.R. §110.1.

7. Respondent's March 16, 2002 discharge of oil from its facility caused a sheen upon or discoloration of the surface of the unnamed ditch leading into an unnamed tributary of the Mermentau River and adjoining shorelines, and, therefore, was in a quantity that has been determined may be harmful under 40 C.F.R. §110.3, which implements Sections 311(b)(3) and (b)(4) of the Act.

8. Respondent's March 16, 2002 discharge of oil from its facility into or upon the unnamed ditch leading into an unnamed tributary of the Mermentau River and adjoining shorelines in a quantity that has been determined may be harmful under 40 C.F.R. §110.3 violated Section 311(b)(3) of the Act. Pursuant to Section 311(b)(6)(B)(i) of the Act, and 40 CFR 19.4, the Respondent is liable for civil penalties of up to \$11,000 per violation, up to a maximum of \$27,500.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6, 1445 ROSS AVENUE, DALLAS, TEXAS 75202-2733

EXPEDITED SPILL SETTLEMENT AGREEMENT

DOCKET NO. CWA-06-2003-4502

On March 16, 2002

Time _____

At: Hilcorp Energy Company, Herrington Well No. 1,
Jennings Townsite Oil & Gas Field, Sect. 41-T10S-R3W,
Jefferson Davis Parish, Louisiana

(Respondent) discharged 15 barrels of oil in violation of Section 311(b)(3) of the Clean Water Act (the Act), as noted on the attached FINDINGS and ALLEGED CIVIL VIOLATIONS FORM (Form), which is hereby incorporated by reference.

The parties are authorized to enter into this Expedited Settlement under the authority vested in the Administrator of EPA by Section 311(b)(6)(B)(i) of the Act, 33 U.S.C. § 1321(b)(6)(B)(i), as amended by the Oil Pollution Act of 1990, and by 40 CFR § 22.13(b). The parties enter into this Expedited Settlement in order to settle the civil violations described in the Form for a penalty of \$ 500.00.

This settlement is subject to the following terms and conditions:

EPA finds the Respondent's conduct is subject to the discharge prohibition of Section 311(b)(3) of the Act, as described in that statute and further described by 40 CFR § 110.3. The Respondent admits he/she is subject to Section 311(b)(3) and that EPA has jurisdiction over the Respondent and the Respondent's conduct as described in the Form. Respondent does not contest the Findings, and waives any objections it may have to EPA's jurisdiction. Respondent consents to the assessment of the penalty stated above. Respondent certifies, subject to civil and criminal penalties for making a false submission to the United States Government, that it has investigated the cause of the spill, it has cleaned up the spill pursuant to the federal requirements, and it has taken corrective actions that will prevent future spills. The Respondent also verifies that it has sent a certified check for \$ 500.00 payable to the "Oil Spill Liability Trust Fund" to: "OPA Enforcement Coordinator, U. S. Environmental Protection Agency, Region 6 (6SF-R), 1445 Ross Avenue, Dallas, Texas 75202-2733." Respondent has noted on the penalty payment check "EPA" and the docket number of this case, "CWA-06-2003-4502."

Upon signing and returning this Expedited Settlement to EPA, Respondent waives the opportunity for a hearing or appeal pursuant to Section 311 of the Act, and consents to EPA's approval of the Expedited Settlement without further notice.

If the Respondent does not sign and return this Expedited Settlement as presented within 30 days of the date of its receipt, the proposed Expedited Settlement is withdrawn without prejudice to EPA's ability to file any other enforcement action for the violations identified in the Form.

After this Expedited Settlement becomes effective, EPA will take no further action against the Respondent for the violations of Section 311(b)(3) of the Act described in the Form. However, EPA does not waive any rights to take any

enforcement action for any other past, present, or future violations by the Respondent of Section 311(b)(3) of the Act or of any other federal statute or regulation. By its first signature, EPA ratifies the Findings and Alleged Violations set forth in the Form.

This Expedited Settlement is binding on the parties signing below, and is effective upon the Superfund Division Director's signature.

APPROVED BY EPA:

Charles A. Gazda Date: 1/8/03
Chief, Response and Prevention Branch
Superfund Division

APPROVED BY RESPONDENT:

Name (print): Michael Schoch
Title (print): REG/ENV/SAFETY MGR
M. Schoch Date: 1/22/03
Signature

IT IS SO ORDERED:

Myron O. Knudson Date: 2/14/03
Myron O. Knudson, P.E.
Director
Superfund Division

OREREV.11/18/99 R6REV 5/10/01; 9/19/01;11/8/01;2/12/02

REGIONAL HEARING CLERK
EPA REGION VI

03 FEB 19 AM 9 10

WARNING Do not accept this document unless you can see a true watermark and visible fibers from both sides.



Hilcorp Energy Company
P.O. Box 61229
Houston, TX 77208-1229
(713) 209-2400



Bank One, N.A.
Dallas, TX
32-61/1110

061567

DATE 01/22/03

PAY *****500 DOLLARS AND NO CENTS ***** DOLLARS \$ 500.00

TO THE ORDER OF

OIL SPILL LIABILITY TRUST FUND
OPA ENFORCEMENT COORDINATOR
USEPA - REGION 6 (6SF-R)
1445 ROSS AVE.
DALLAS, TEXAS 75202-2733

VOID AFTER 90 DAYS

BY

AUTHORIZED SIGNATURE



⑈061567⑈ ⑆111000614⑆

637767302⑈

DATE	DESCRIPTION	INVOICE NO.	AMOUNT	DISCOUNT	DEDUCTIONS	NET AMOUNT
	DOCKET NO. CWA - 06-2003-4502					\$500.00

Hilcorp Energy Company, P.O. Box 61229, Houston, TX 77208-1229

Hilcorp Energy Company
July 22, 2002

CERTIFIED MAIL

Roberto Bernier
US. EPA Region # 6
Superfund Division
1445 Ross Avenue
Dallas, TX 75202-2733

Post Office Box 61229
Houston, TX 77208-1229

1201 Louisiana Street
Suite 1400
Houston, TX 77002

Phone: 713/209-2400
Fax: 713/209-2420



Dear Roberto Bernier,

SUBJECT: REQUEST FOR INFORMATION - NRC # 596836

Hilcorp Energy Company is writing this letter to reply to your request for information concerning a spill incident that occurred at its Jennings Townsite oilfield in Jefferson Davis Parish, Louisiana. The Spill was initially discovered on March 16, 2002, and did not reach reportable thresholds and quantities until further investigations occurred by Hilcorp on Monday, March 18, 2002. Upon discovery of a reportable quantity spill, Hilcorp notified the National Response Center, Louisiana Department of Environmental Quality, Louisiana Office of Conservation, and the Louisiana State Police. The site was visited several times by the LADEQ during the initial response and clean up phase of the operation. The Louisiana Office of Conservation also made a site visit and the State Police were on scene for traffic control and public safety as clean up operations were near a busy roadway. Here are the responses to the data requested.

1. A copy of the Hilcorp Energy Company's notification form and a copy of the notification letter to the agencies are attached for your review. The water way impacted was a storm-water ditch along the side of Fonteneaux road and Highway 90. A small un-named coulee was also impacted which eventually leads to the Mermentau River.
2. The amount of product spilled was estimated to be approximately 15 to 20 barrels of oil and approximately 100 to 150 barrels of saltwater.
3. The initial response and clean up operations of the spill lasted from 3/18/02 until 3/26/02. Oil Mop, Inc were contracted by Hilcorp Energy Company to handle the response and clean up operations. Hilcorp Energy Company is still taking care of a few minor landowner requests and is finalizing the placement of replacement dirt per landowner agreements and settlements.
4. The cause of the spill was a rupture of a buried flowline in a wooded tallow area, which at the time was holding surface storm-water due to flooding rains in the area prior to the spill discovery.
5. The immediate receiving body was an un-named ditch which runs along the side of Fonteneaux Road. This ditch then connects to an un-named ditch running along side of highway 90. This ditch is connected to an un-named coulee, which eventually connects with the Mermentau River.
6. See attached.
7. See attached- The site only includes a buried flowline and a well head which is approximately 1/4 mile away.
8. See attached.
9. See attached.

July 22, 2002

Please forward all correspondence in regard to this matter to my attention at the following Corporate Address.
The address for which you addressed your letter is solely used as a field office.

Hilcorp Energy Company

P.O. Box 61229

Houston, Texas 77208-1229

Attn: Michael Schoch

If you have any questions or need any further information, please do not hesitate to contact me directly. Thank you for your time and understanding in this matter.

Sincerely,



Michael Schoch
Regulatory/Environmental/Safety Manager
Hilcorp Energy Company
cc: File

Hilcorp Energy Company

March 19, 2002

CERTIFIED MAIL

Louisiana Department of Environmental Quality
P.O. Box 82215
Baton Rouge, La 70884-2215

Post Office Box 61229
Houston, TX 77208-1229

1201 Louisiana Street
Suite 1400
Houston, TX 77002

Phone: 713/209-2400
Fax: 713/209-2420

Dear Louisiana Department of Environmental Quality,

**SUBJECT: OIL & SALTWATER SPILL, JENNINGS TOWNSITE FIELD JEFFERSON
DAVIS PARISH, LA**

Hilcorp Energy company is writing this letter as a formal follow up on an Oil and Saltwater Spill that occurred at its Jennings Townsite Oil & Gas Field. On March 16, 2002, at approximately 6:15 p.m., a small leak was discovered on a flowline from the Herrington #1 well in the Jennings Townsite Field. The well was shut-in immediately and the line isolated and closed off. It was estimated that approximately 15 to 20 barrels of Oil and approximately 100 to 150 barrels of Saltwater spilled onto the ground. The area of impact is estimated to be approximately 2 acres of wooded/scrub property. No injuries or harm was noted to humans or wildlife. Oil Mop, Inc were contacted and handled clean-up operations. A levy was made around the spill site and vacuum trucks and roll of boxes were filled with the waste material. The area was scraped with the material being prepared and sent to an appropriate commercial disposal facility. Hilcorp will continue to monitor the area and remediate if necessary. The State Police and LADEQ were notified and LADEQ issued incident number 02-01433. The National Response Center was notified and assigned incident #596836. The Louisiana Office of Conservation was also notified about the leak. If you have any questions or need any further information, please do not hesitate to contact me directly. Thank you for your time and understanding in this matter.

Sincerely,



Michael Schoch
Regulatory/Environmental/Safety Manager
Hilcorp Energy Company

cc: Louisiana State Police
Right to Know/Emergency Response Commission
Tess Mail Slip #21
P.O. Box 66614
Baton Rouge, LA 70896-6614

Louisiana Office of Conservation
P.O. Box 94275
Baton Rouge, Louisiana 70804-9275

Aaron Drake
Lockton Insurance Company
5847 San Felipe Plaza, Suite 320
Houston, Texas 77057

Hilcorp Energy Company

July 18, 2002

CERTIFIED MAIL

Post Office Box 61229
Houston, TX 77208-1229

1201 Louisiana Street
Suite 1400
Houston, TX 77002

Phone: 713/209-2400
Fax: 713/209-2420

Bob Hayes
Louisiana State Police
Right to Know Unit
Tess Mail Slip # 21
P.O. Box 66614
Baton Rouge, La 70896-6614



Dear Bob Hayes,

SUBJECT: SUPPLEMENTAL REPORT INCIDENT # 02-01433 - JENNINGS TOWNSITE
FIELD 3/16/02

Hilcorp Energy Company is writing this letter as a supplement to the original report sent to your agency. The purpose of the supplement is to clarify the discovery time of the incident. Hilcorp discovered a small pinhole leak in a flowline on Saturday 3/16/02 prior to dark. It shut the well and pipeline down and assessed the situation as minor. The area, as assessed at that time, did not trigger any reportable quantities or off-lease situations. Since the issue appeared to be minor, the well and line would remain shut down and repairs would be made Monday morning. Mr. Jim Bardwell traveled to the location Monday morning and began looking at the pinhole leak and surrounding area around 8:00 am. In doing further assessment of the area, Mr. Bardwell realized the magnitude of the release was more severe than previously reported. Mr. Bardwell's first call was to get an Oil Spill Response agency in route (Oil Mop) to help begin assessing and cleaning up the area. This call was made at approximately 8:15 am on 3/18/02. The National Response center was then contacted as some product had reached a ditch. Your agency was notified at approximately 8:30 am. The full impact of the spill area was not realized until later that morning and afternoon.

Hilcorp Energy Company has a proven record of trying to be a prudent operator and strives for 100% compliance with all applicable regulations. Hilcorp appreciates your understanding and cooperation in this matter. If you have any further questions or need more information, please do not hesitate to contact me directly. Hilcorp Energy Company looks forward to continuing to work with your agency as our operations continue to grow in South Louisiana.

Sincerely,

Michael Schoch
Regulatory/Environmental/Safety Manager
Hilcorp Energy Company
cc: File

Mike Schuch

**HILCORP ENERGY COMPANY
ACCIDENT / SPILL / FIRE / GAS LEAK REPORT**

Is this an HEC Spill? YESSuperintendent Jim Bordwell

Signature

Date	<u>3-16-02</u>			Time	<u>6:15 pm</u>
Fluid Type	<u>Oil - Condensate - Salt Water - Other</u>			Field	<u>Jennings Township</u>
Est. Liq. Vol. / 100	<u>15-20</u>	Est. Gas Volume	<u>10</u>	Precise Location	<u>NORTH OF Hwy 90 WEST OF TONTON ROAD</u>
Volume / 100	<u>BBLs</u>	Volume	<u>MCF</u>		
HEC Personnel who first verified spill				Name: <u>DVEY MOWERS</u>	
Initial Action Taken: <u>well shut in, vac trucks sucking up</u>					
<u>SALT WATER @ LEAK. S. 41 T. 10S R. 3W</u>					
<u>Inside the City limits of Jennings, LA on the East side of town</u>					
Physical Description / Extent of Damage: <u>Lost 15-20 to 100-150 Bbls</u>					
<u>area of 1 to 1 1/2 acres affected.</u>					

Notification	Phone No.	Time Notified/ Incident #	Notification	Phone No.	Time Notified/ Incident #
Oil Mop	800-645-6671	<u>8:15 am</u>	LA DEQ	225-342-1234	<u>8:30 am</u>
Philip Services	800-797-9992		EPA	214-655-6222	
L & L Env	800-207-7745		LA Off of Conserv	225-342-5540	<u>6:15 pm 3/16/02</u>
Cenac Env Serv	888-422-3622		LA State Police	225-925-6595	
National Resp Cntr	800-424-8802	<u>8:25 AM</u>	MS O&G Board	601-354-7142	
USCG - N.O.	504-589-6261		MS DEQ	800-222-6362	
USCG - M.C.	504-380-5326		MS State Police	601-987-1530	
USCG - L.C.	318-433-3765		MS Emer Resp	800-222-6362	
USCG - B.R.	225-298-5400				
Local Emergency	911				

Injuries or Evacuations? Explain

None

Damage to Marsh/Wildlife/Land/Property? Explain

1 to 1 1/2 acres of wooded area

Clean-up Activities:

Oil Mop